

FIREFIGHTER AND POLICE PENSION FUNDS

Description of Fund	The Pension Funds are fiduciary funds that hold financial assets in trust to provide funding for the retirement benefits of Firefighters and Police Officers as well as their beneficiaries.
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Firefighter Pension Fund Budget Analysis

The Firefighter Pension Fund Budget includes a projected \$438,125 Net Increase in Plan Assets Held in Trust in 2003 and a projected \$504,040 Net Increase in Plan Assets Held in Trust in 2004. In 2003, Total Available Funds increase by \$119,800 (33.30%) from \$359,800 in 2002 to \$479,600 in 2003. In 2004, Available Funds increase \$66,050 (13.77%), to a total of \$545,650.

In 2003, Total Available Funds are projected to increase as a result of significant increases in Miscellaneous Revenue (\$42,500) and Interfund Charges (\$67,300). The increase in these revenue sources is largely attributable to the hiring of twelve (12) additional Firefighter/Paramedics in conjunction with the construction of a third fire station. The new employees will be making required contributions to the fund that will increase the assets of the fund (Employee contributions are reflected in Miscellaneous Revenue). The Village will also be required to contribute additional dollars based on the funding of the additional actuarial liability that will be associated with the new hires (the Village's contribution is reflected in Interfund Charges). Investment Income is also projected to increase because of the higher fund balance (this provides greater assets from which to derive interest income).

In 2004 Total Available Funds are projected to again increase to reflect employment of these twelve (12) Firefighter/Paramedics for a full twelve months. The contributions to the Pension Fund from employees will increase (due to a larger amount of salaries) and the Village's contribution will also increase (to offset the additional actuarial liability).

Expenditures

Expenditures for the Firefighter's Pension Fund are fairly moderate (\$41,475 in 2003 and \$41,610 in 2004). This is due to the fact that the fund is relatively new – no one is yet eligible to retire and there are no participants on disability – therefore the fund is currently not paying any benefits. The majority of budgeted expenditures in 2003 and 2004 (\$25,000 in both years; 60.28% in 2003 and 60.08% in 2004) are for separation payments for employees who may choose to leave the Village. The majority of other expenditures in both 2003 and 2004 include general administrative expenses such as legal services, accounting services, auditing services, secretarial services, and financial institution custody fees and services charges. The budget also includes small amounts for training, membership dues, and the receipt of professional publications in both 2003 and 2004.

Projected Plan Asset Balance

In 2003 the ending Plan Asset Balance for the Firefighter's Pension Fund is budgeted at \$2,387,143, a \$446,833 (23.03%) increase from the 2002 year-end budgeted amount of \$1,940,310 (the projected year-end actual for 2002 is estimated to be slightly higher than the budgeted year-end actual due to additional contributions by the Village; these additional contributions were needed to comply with the actuarial estimates; these additional 2002 contributions explain why the Plan Asset Balance increases more than the Net Increase in Plan Assets held in trust). In 2004, the ending Plan Assets Balance is budgeted to be \$2,891,183 a \$504,040 (21.10%) increase from 2003.

Police Pension Fund

The Police Pension Fund Budget includes a projected \$576,194 Net Increase in Plan Assets Held in Trust in 2003 and a projected \$615,472 Net Increase in Plan Assets Held in Trust in 2004. In 2003, Total Available Funds increase by \$125,256 (11.35%) from \$1,103,200 in 2002 to \$1,228,456 in 2003. In 2004, Available Funds increase \$63,238 (5.15%), to a total of \$1,291,694.

In 2003, Total Available Funds are projected to increase as a result of significant increases in Miscellaneous Revenue (\$18,700) and Interfund Charges (\$120,556). The increase in Miscellaneous Revenue (this is the employee contributions) is attributable to higher projected salaries for Police Officers (therefore each Officer will contribute a greater amount of money to the pension plan). The increase in Interfund Charges is a result of greater contributions by the Village due to higher levies based on greater actuarial liabilities. These increases are offset to some extent by a projected decrease in Investment Income of \$14,000 (1.87%). This decrease is a result of the current economic environment which has taken its toll on equities and has also made it difficult, due to low interest rates, to secure high interest earnings on fixed income options.

In 2004 Total Available Funds increase due to increases in all three revenue sources, Investment Income is projected to increase \$39,000, Miscellaneous Revenue is projected to increase \$10,400, and Interfund Charges are projected to increase \$13,838. Investment Income is projected to increase in conjunction with a projected rebound in the economy in 2004; Miscellaneous Revenue will increase in response to increases in the salaries of Police Officers; Interfund Charges will increase due to escalations in the Village's actuarial liability.

Expenditures

Expenditures for the Police Pension Fund are budgeted to be \$652,262 in 2003 and \$676,222 in 2004. These expenditures include \$486,132 (74.53%) in 2003 and \$498,832 (73.77%) in 2004 to fund the retirement and disability benefits of retired and disabled Police Officers as well as beneficiaries of deceased members. Other major expenditures include \$92,250 (14.14%) in 2003 and \$93,250 (13.79%) in 2004 for Investment Services from financial institutions as well as \$50,000 in both years (7.67% in 2003 and 7.39% in 2004) for separation payments. Other miscellaneous expenditures in both years include legal fees, accounting and auditing fees, charges for secretarial services, and expenses for professional development.

Projected Plan Assets Balances

In 2003 the ending Plan Asset Balance for the Police Pension Fund is budgeted at \$13,333,005, a \$565,864 (4.43%) increase from the 2002 year-end budgeted amount of \$12,767,141 (the increase in the Plan Asset Balance is not equal to the Net Increase because the projected year-end actual for 2002 is estimated to be slightly lower than the budgeted year-end actual due to a decrease in projected investment income). In 2004, the ending Plan Asset Balance is budgeted to be \$13,948,477 a \$615,472 (4.61%) increase from 2003.

**PENSION TRUST FUNDS
REVENUE AND EXPENDITURE SUMMARY**

FIREFIGHTERS PENSION FUND						
	<u>FY 2000 Actual</u>	<u>FY 2001 Actual</u>	<u>FY 2002 Amended Budget</u>	<u>FY 2002 Projected Actual</u>	<u>FY 2003 Budget</u>	<u>FY 2004 Budget</u>
<i>Plan Assets Held in Trust⁽¹⁾</i>	856,987	1,251,286	1,594,410	1,594,410	1,949,018	2,387,143
Revenues						
Investment Income	118,929	79,530	70,000	65,000	80,000	80,000
Miscellaneous	102,244	114,583	109,500	109,500	152,000	186,000
Interfund Charges	177,508	201,305	180,300	189,450	247,600	279,650
Total Available Funds	398,681	395,418	359,800	363,950	479,600	545,650
Expenditures						
Administrative Expenses	4,382	5,440	13,900	9,342	16,475	16,610
Separation Payments	0	46,854	0	0	25,000	25,000
Total Expenditures	4,382	52,294	13,900	9,342	41,475	41,610
Net Increase	394,299	343,124	345,900	354,608	438,125	504,040
<i>Plan Assets Held in Trust⁽¹⁾</i>	1,251,286	1,594,410	1,940,310	1,949,018	2,387,143	2,891,183
POLICE PENSION FUND						
	<u>FY 2000 Actual</u>	<u>FY 2001 Actual</u>	<u>FY 2002 Amended Budget</u>	<u>FY 2002 Projected Actual</u>	<u>FY 2003 Budget</u>	<u>FY 2004 Budget</u>
<i>Plan Assets Held in Trust⁽¹⁾</i>	11,420,399	11,925,575	12,138,371	12,138,371	12,756,811	13,333,005
Revenues						
Investment Income	546,465	285,926	750,000	690,000	736,000	775,000
Miscellaneous	163,187	183,849	172,800	172,800	191,500	201,900
Interfund Charges	166,433	188,678	180,400	257,500	300,956	314,794
Total Available Funds	876,085	658,453	1,103,200	1,120,300	1,228,456	1,291,694
Expenditures						
Administrative Expenses	51,474	57,258	74,000	110,860	116,130	127,390
Separation Payments	5,412	33,569	25,000	0	50,000	50,000
Retirement Benefit Payments	314,023	354,830	375,430	391,000	486,132	498,832
Total Expenditures	370,909	445,657	474,430	501,860	652,262	676,222
Net Increase	505,176	212,796	628,770	618,440	576,194	615,472
<i>Plan Assets Held in Trust⁽¹⁾</i>	11,925,575	12,138,371	12,767,141	12,756,811	13,333,005	13,948,477

(1) Plan Assets are defined as current assets less current liabilities; long term liabilities and assets are not included in this calculation.